



# HOUSE OF REPRESENTATIVES

HB 2614

cooperative associations

Prime Sponsor: Representative Gray, LD 21

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**DPA** Committee on Rural and Economic Development

**DPA** Caucus and COW

**X** House Engrossed

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## **OVERVIEW**

HB 2614 makes changes relating to the establishment, authority, membership and definitions of cooperative marketing associations (Associations).

## **PROVISIONS**

1. Allows each of the following to form an association with or without capital stock:
  - a. Five or more persons engaged in the production of agricultural products.
  - b. Five or more small businesses, individuals or entities engaged in the marketing and distribution of manufactured goods for import and export purposes.
2. Allows Associations to make profits for themselves or for their members.
3. Requires an Association to include both of the following in its articles of incorporation:
  - a. A statement indicating whether the association will be nonprofit or for-profit.
  - b. A statement indicating the number of shares the Association is authorized to issue, if the Association is going to be for-profit.
4. Permits an Association to engage in specified activities in connection with:
  - a. The marketing or distribution of manufactured goods for import and export purposes or the providing of labor.
  - b. The harvesting, processing, storing, handling or use of products for the production, manufacturing and sale of hydroponic greenhouses.
5. Allows an Association to raise equity from nonprofit investors and patron members.
6. Prohibits an Association from dealing nonmember products in an amount greater in value than the products handled for members.
7. Adds that the Association may make and execute marketing contracts to sell their manufactured goods for import and export purposes or their hydroponic greenhouses exclusively through the Association or its facilities.
8. Adds to the initial members of a domestic cooperative association for the purpose of a merger, conversion, domestication or a division:
  - a. Five or more small businesses, individuals or entities engaged in the marketing or distribution of manufactured goods for import and export purposes.
  - b. Five or more persons for the purpose of producing, manufacturing and selling hydroponic greenhouses or for the purpose of growing food.

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9. Specifies that statutes governing the sale of assets only apply to an Association if the association is formed with capital stock or raises equity from nonprofit investors and patron members.
10. Specifies that nonprofit and for-profit Associations pay different filing, service and copying fees specified by statute.
11. Expands the definitions of active member, marketing agreement, and member.
12. Makes technical and conforming changes.

### **CURRENT LAW**

A.R.S. Title 10, Chapter 19, Article, 1 governs Associations. A.R.S. § 10-2003 outlines the requirements for the formation of an Association. The formation of an Association requires five or more persons engaged in the production of agriculture products without capital stock. Associations organized under this Article may not make profits for themselves or for their members, but may make profits for their members as producers. A.R.S. § 10-2005 outlines the powers of Associations, which include the ability to engage in marketing, harvesting, processing, storing, handling or utilization of agriculture products.